

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 SSM-03 AGRE-00  
/087 W

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R 261530Z AUG 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 8760  
INFO AMCONSUL ALEXANDRIA

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E.O. 11652: NA  
TAGS: ECON EFIN PINT EG  
SUBJ: ECONOMIC "NEW DEAL" STRATEGY

REF: CAIRO 13948, CAIRO 14151

1. GOVERNMENT ANNOUNCED AUGUST 26 THAT HIGHER PLANNING COUNCIL WILL MEET AUGUST 29 TO DRAW UP NEW NATIONAL STRATEGY FOR WAGES AND PRICES. CALLING PLAN "NEW SOCIAL PROGRAM" FOR THE PEOPLE. PRESS REPORTS THAT DETAILS HAVE BEEN DRAWN UP BY MINISTRY OF PLANNING.

PLANNING. AIM IS TO PROVIDE FOR REDISTRIBUTION OF STATE RESOURCES IN INTEEST OF LIMITED INCOME CLASSES. NEW PROGRAM "BASED ON RECOGNITION THAT TOILING MASSES CANNOT BEAR BRUNT OF CORRECTING COUNTRY'S ECONOMIC COURSE AND THAT PUBLIC SECTOR MUST BE GIVEN OPPORTUNITY TO FLORISH IN ORDER TO MAINTAIN SOCIALIST GAINS."

2. NEW SOCIAL STRATEGY REPORTEDLY BASES ON FOLLOWING PREMISES:

-) SUBSIDIES NO LONGER CONSTITUTE IDEAL METHOD FOR REDISTRIBU-

TION OF NATIONAL WEALTH;

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B) WAGES CAN BE INCREASED TO COMPENSATE FOR PRICE INCREASES EXPECTED WHEN SUBSIDIES ARE WITHDRAWN;  
C) ONLY CLASSES ELIGIBLE FOR INCREASES WILL ENJOY THEM, BUT OTHER GROUPS Affected BY ABOLITION OF SUBSIDIES WILL ALSO HAVE TO BE COMPENSATED;  
D) NEW POLICY MUST BE IMPLEMENTED IN COORDINATION WITH STABILIZATION OF PRICES AND EFFECTIVE MARKET CONTROL.

3 NEW GOE PROGRAM WILL PROVIDE FOLLOWING:

A) WORKERS IN SECOND AND THIRD INCOME LEVELS AND PENSIONERS EARNING LESS THAN LE 30 PER MONTH WILL HAVE ANNUAL WAGES RAISED BY TOTAL OF LE 85 OVER COURSE OF TWELVE MONTH PERIOD. INCREASE, PAID IN LE 7 INSTALLMENTS, WOULD BE TAX FREE FOR UNSPECIFIED TIME. (GOE ESTIMATES 3.36 MILLION WORKERS FALL INTO THIS CATEGORY; TOTAL OF OVER 12 MILLION EGYPTIANS WILL BE AFFECTED CONSIDERING AVERAGE FAMILY SIZE OF 4.4 MEMBERS.)

B) SMALL (LESS THAN 3 FEDDANS EACH) LAND OWNERS (APPROX 2.5 MILLION CITIZENS) WOULD GET ANNUAL INCOME INCREASE OF LE 29.5 PER FAMILY. IN ADDITION GUARANTEED PRICE INCREASE FOR STAPLE CROPS (E.G., WHEAT, COTTON) WOULD BE EFFECTED IN ORDER TO RAISE FARM INCOMES.

C) CATEGORIES NOT COVERED BY ABOCE (AGRICULTURAL WORKERS OR PRIVATE SECTOR EMPLOYEES) WOULD BENEFIT FROM RAISE IN MINIMUM WAGE FROM LE 12 TO LE 18 PER MONTH.

D) APPROXIMATELY 25 MILLION LE WOULD BE MADE AVAILABLE THROUGHT SOCIAL SECURITY PROGRAM AND NASSER SOCIAL BANK TO COMPENSATE THOSE NOTE COVERED BY ONE ABOVE CATEGORIES. MINISTRY OF PLANNING ESTIMATES THAT ITS PLAN WILL COST GOE AN EXTRA LE 561 MILLION PER YEAR, INCLUDING LE 332 MILLION FOR CATEGORY TWO AND THREE WORKERS AND PENSIONERS, AND LE 104 MILLION FOR SMALL LANDOWNERS.

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4. COMMENT: EMPHASIZING IN THIS LATEST DEVELOPMENT IN PUBLICITY CAMPAIGN THAT ABOVE "NEW DEAL" IS ONLY INITIAL PROPOSAL PUT FORTH FOR SAKE OF DISCUSSION, GOE EVIDENTLY IS PROCEEDING WITH ITS SUBSIDY STRATEGY CAREFULLY BUT NEVER-THELESS IS GOING FORWARD. WHILE PROPOSED PLAN WOULD REMOVE BURDEN OF SUBSIDIES, IT WOULD NOT, OF COURSE, REDUCE OVERALL GOVERNMENT EXPENDITURES. EMPHASIS PLACED IN PRESS ON PUBLIC SECTOR ROLE IN NEW DEAL IS UNDOUBTEDLY DESIGNED TO ASSURE POPULACE THAT RETURN TO PRIVATE SECTOR CONTROL OF ECONOMY IS NOT IN OFFING; GOVERNMENT INTENDS CONTINUE SHOULDER BURDEN OF SOCIAL JUSTICE. WE HAVE DIFFICULTY BELIEVING, HOWEVER, THAT IMPLICATIONS OF SUCH COSTLY SUBSTITUTE FOR SUBSIDY PROGAM HAVE BEEN THOUGHT THROUGH OR THAT PLAN IN FORM FLOATED ABOVE WILL IN ACTUALITY BE IMPLEMENTED.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** GOVERNMENT REFORM, WAGES, PRICES  
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**Disposition Date:** 22 May 2009  
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